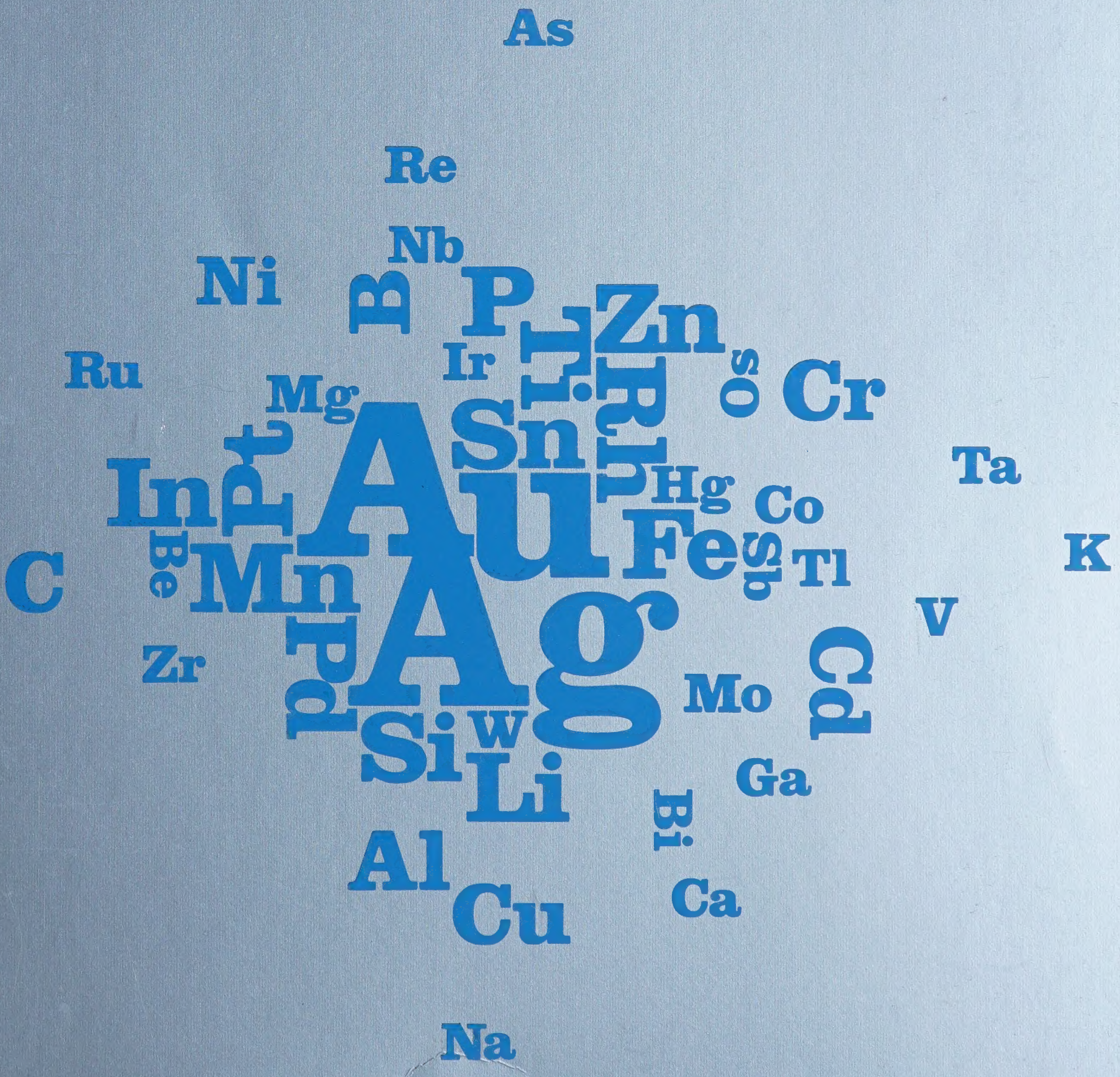
Handy & Harman 1969 Annual Report



Adding Value
to basic materials by processing, refining and fabrication is Handy & Harman's forte—and future.

On the cover of this Annual Report our artist, using the universal symbolic language of the Periodic Table of Elements, has artistically picturized our diversification from silver and gold (Ag and Au) through and into the use of 43 basic materials in the products now marketed by the Handy & Harman family of companies.

Handy & Harman 1969 Annual Report To Shareholders

The Annual Meeting of
Shareholders of Handy & Harman
will be held on April 28, 1970
at the Chemical Bank,
277 Park Avenue
New York City at 11:00 a.m.

Handy & Harman is listed on the New York Stock Exchange. Ticker symbol HNH.

Handy & Harman and Subsidiaries

Five Year Summary of Statistical Highlights

(dollars and shares in thousands—except per share figures)

	1969	1968	1967	1966	1965
Net sales	**$206,364**	$199,337	$180,197	$168,551	$140,541
Income from continuing operations:					
Before taxes on income	**$ 11,204**	10,147	7,572	6,889	5,071
After taxes on income	**$ 4,660**	4,532	3,762	3,552	2,585
Working capital	**$ 21,447**	22,247	11,539	10,235	10,068
Property, plant & equipment—net	**$ 17,416**	15,002	12,287	10,689	9,105
Total assets	**$ 90,015**	90,619	80,709	68,544	56,943
Net income retained in business	**$ 2,371**	2,894	2,378	2,482	1,672
Shareholders' equity	**$ 29,242**	27,096	23,885	20,464	18,485
Shares outstanding (average)	**2,123**	2,139	2,129	2,081	2,069
Dividends declared	**$ 1,397**	1,196	1,095	963	753
Per share of common stock:					
Income from continuing operations	**$ 2.20**	2.12	1.76	1.71	1.24
Dividends declared	**$ .66**	.60	.60	.60	.60
Number of shareholders	**2,752**	2,816	2,982	1,920	1,838
Number of employees	**1,900**	2,150	1,850	1,540	1,150

Amounts shown have been restated to give retroactive effect to poolings of interests transactions.

To Our Shareholders

We are pleased to report that 1969 was another record year for our company, the sixth in a row of uninterrupted increases in earnings. Income after taxes from continuing operations, as restated, amounted to $4,660,000, compared to $4,532,000 in 1968, an increase of 3%. These amounts were equivalent to $2.20 and $2.12 per share respectively. Sales for 1969 amounted to $206,364,000, also a new high, up from $199,337,000 in the previous year. A five year summary of statistical highlights appears on page 2.

The figures for 1968 have been restated under existing accounting rules to reflect among other changes the sale in September 1969 of our roller bearing business, which had been operating at a loss. Accordingly they do not conform to those published in last year's report. Operating losses from the bearing business in the amount of 3¢ a share in 1969 and 20¢ a share in 1968 have been isolated and shown separately. If they had not been so isolated, operating earnings per share would be $2.17 and $1.92 respectively, an increase of 13% rather than 3%. The important point, however, is that we have eliminated this drag on our earnings, and this will indeed be helpful for the future.

In addition to maintaining our growth in earnings during 1969, we also continued to make progress in our long range program of diversification through acquisitions. In May we acquired American Clad Metals, Inc. located in Pawtucket, Rhode Island, thereby supplementing with non-precious metal cladding techniques our already leading position in the cladding of precious metals; in August we acquired Bigelow Components Corporation, a manufacturer of sub-components for the electronic industry, located in Newark, New Jersey; and most recently, in January 1970, we signed an agreement to acquire Greenback Industries, Inc. located in Greenback, Tennessee.

Highlights

1969 Another Record Year

New levels for sales and earnings for sixth successive year.

Dividends Increased 20%

With uninterrupted cash dividends for 65 years—current rate 18¢ quarterly.

New Electrolytic Refining Complex to be Operating during Second Quarter

Opening of Attleboro, Mass., facility marks completion of company's largest single construction program in 103-year history.

Acquisitions Growth Continues

Two companies joined Handy & Harman in 1969 and additional acquisitions are underway in 1970.

Earnings Boost Forecast for 1970

Profits to increase by 10% per share, reflecting company's established growth policy.

Greenback is a producer of copper, copper oxide, tin and bronze powders used in the manufacture of powder metallurgical parts and as chemical additives. The agreement also includes an 80% interest in Cranberry Magnetite Corporation which operates a mine in Cranberry, North Carolina, producing high quality magnetite ore. Magnetite has applications in coal separation, hard core ferrites, dense concrete, water pollution control, and nuclear shielding, as well as in the production of iron powder for diversified metallurgical uses. The Greenback agreement is subject to a favorable tax ruling which is expected soon.

For the past few years we have given increasing attention to our relationship with the financial community. Since January of 1969 we have presented our story to security analyst groups in New York, Baltimore, San Francisco, and most recently Boston, where we appeared in January of this year. We have other meetings scheduled for 1970 and feel this broad exposure to important investment institutions in major financial centers throughout the country will benefit our company and our shareholders.

It is a basic objective throughout all segments of the company to achieve, on the average, a 10% minimum annual rate of growth in per share earnings. In actual fact the average rate over the past five years has been about 20%. In spite of some evidence of slackening in the general economy, we believe that we shall maintain our basic growth objectives and that 1970 will be another year of progress for our company.

M. W. Townsend

M.WILBUR TOWNSEND
Chairman of the Board
and President
March 12th, 1970

Questions we are frequently asked.

What is Handy & Harman's business?

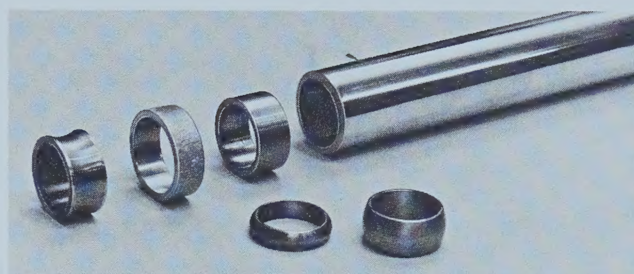
Handy & Harman is a 103 year old diversified industrial company that manufactures a wide variety of specialty metal products and which provides extensive refining services in the precious metal field. The company is primarily involved in the fabrication and refining of silver and gold, but during the past several years it has been expanding its operations into non-precious metal areas.

What are the objectives of the company's acquisition program?

The primary objective is to broaden the company's activities in specialty and precision metal products other than precious metals. This diversification minimizes dependence on any particular segment of the economy and increases the flow of new products to replace those that may be lost through attrition.
The company's involvement in a number of different industries provides opportunities to take full advantage of special growth situations which develop from time to time in these widely diverse markets. About one-quarter of consolidated after tax profit was derived from business other than precious metals during 1969. The company's goal is to reach a ratio of 50-50. But this is a moving target, because the precious metal operations continue to grow and indeed will always be the heart of the business.

How many subsidiaries does the company have now and what principal products do they make?

Handy & Harman consists of the parent company and 12 wholly owned subsidiaries. The oldest of these subsidiaries is Handy & Harman of Canada, Limited, which manufactures for the Canadian market substantially the same products as the parent company supplies to the United States market. Most of the other subsidiaries are in non-precious metal activities, and manufacture such products as alloy and stainless steel wire; wire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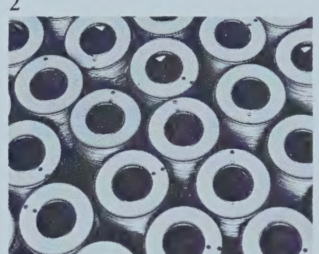
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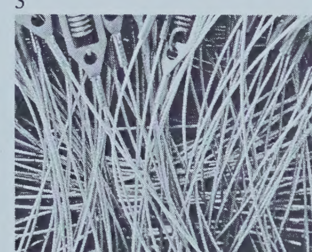
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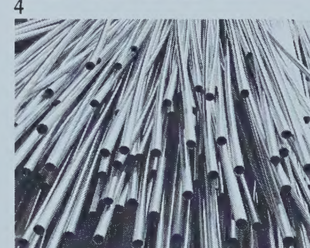
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Selections from the H&H product mix:

1. Continuous cast karat gold tubing
2. Brazing alloy wire
3. Rolls of silver sheet
4. Thin gauge stainless steel wire
5. Automotive brake cable assemblies
6. Carbon steel tubing
7. Silver-copper clad metal strip

rope; endless welded belts for the photographic, tobacco, plastics, and like industries; precision tubing and fabricated tubing products; elements for electronic components; clad metals; and a number of other special alloy metal products. A common characteristic of the subsidiaries is that their basic function is metal working. They all manufacture specialty metal products requiring a high degree of technical competence and with high value added. No segment of the company is involved in large tonnage commodity business.

In addition to its wholly owned subsidiaries, the company has a 50% interest in two joint ventures. One manufactures electric resistance thermometers, a chief ingredient of which is platinum wire, and the other, in England, manufactures precision alloy steel wire.

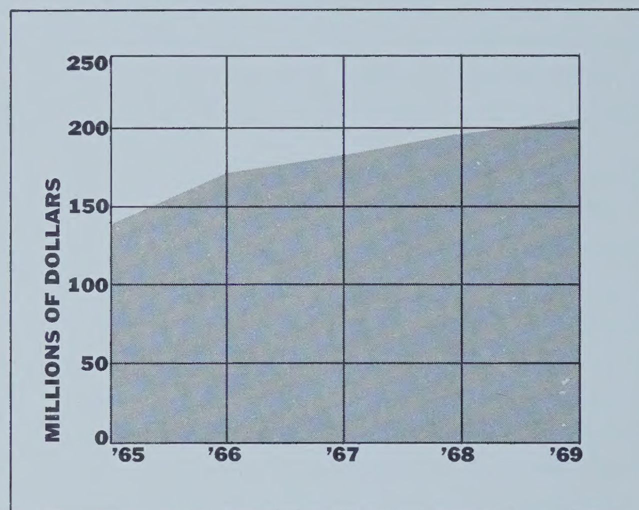
Does Handy & Harman consider itself a conglomerate?

There does not seem to be complete agreement as to exactly what conglomerate means. It has a bad connotation for some and a good one for others. However, whatever it means, good or bad, it does not apply to Handy & Harman. All of the company's subsidiaries are in specialty metals. They have many areas of common interest in marketing, manufacturing processes, and technology. They also are relatively small companies in much larger industries, and individual growth opportunities have been greatly increased by becoming part of the Handy & Harman group.

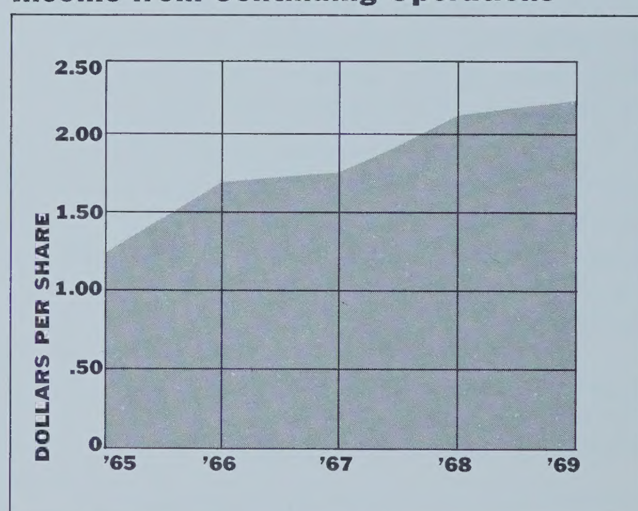
During 1970, does Handy & Harman plan to make additional acquisitions?

Certainly. During the past three years Handy & Harman has been averaging three to four acquisitions a year. The more the company becomes involved in different metal product areas the more it can develop further opportunities. A momentum has been built up which will be kept going.

Net Sales



Income from Continuing Operations



How does the company manage its rapidly growing number of subsidiaries?

Perhaps the single most important ingredient to the successful assimilation of a large number of subsidiaries is a philosophy for managing them. The company's approach has been and will continue to be to maintain a decentralized organization with a high degree of local autonomy and corresponding responsibility for profits. The "second generation" technique is used in acquiring other companies, which means that a number of the subsidiaries report to other subsidiaries rather than directly to the parent company. This encourages subsidiaries to grow both internally and externally and also gives better overall management control by taking full advantage of the management talents available throughout the entire company.

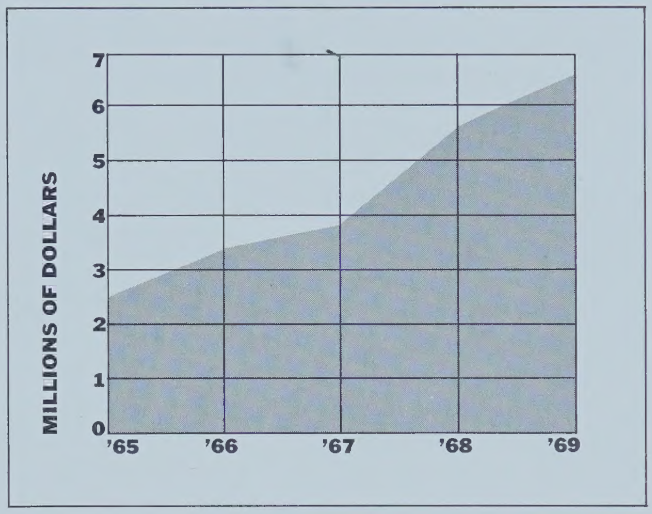
What were capital expenditures in 1969, and how much will the company spend in 1970?

Capital expenditures in 1969 reached a record high of about $4,850,000, in substantial part due to the new refinery complex at Attleboro, Massachusetts, now nearing completion. This has been one of the largest single expansion programs the company has undertaken. The 1970 capital budget amounts to approximately $3,500,000.

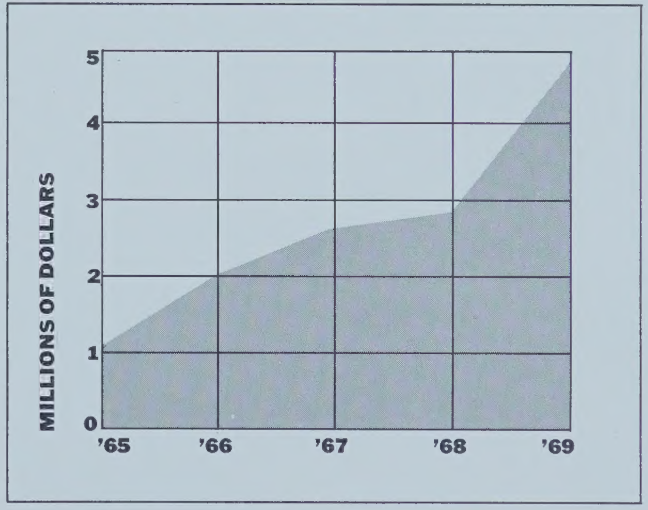
Why is Handy & Harman making a major investment in a new precious metal refinery?

One of the areas of the precious metals business with unusually promising growth potential is that of refinings. For example, higher silver prices have now made it economical to recover silver from scrap materials which formerly were discarded. Also a very large source of future refining business is going to be the old United States silver coins which will become increasingly available as price levels rise. Furthermore, as of the end of 1969 the U. S. Assay Office no longer accepts gold bearing materials for refining, and this business is now available.

Provision for Taxes on Income



Capital Expenditures



The new Attleboro refining complex puts Handy & Harman in a first rank position to take full advantage of these growing opportunities. The complex consists of a uniquely efficient electrolytic silver and gold refinery, together with necessary supporting facilities including a laboratory, warehouse space and office building. The refinery is certainly one of the finest in the country, if not in the world, and contains the most advanced equipment and technology available.

How dependent is the company on defense business?

It is frequently difficult to identify specific orders as being defense or non-defense, because in many instances the company is too far removed from the end-use of its products. However, it is estimated that no more than 15% of the company's business is attributable to defense, and this is widely distributed among many categories.

What is the nature and scope of the company's research and development program? How much was spent in 1969 for research and development?

Research and development effort at Handy & Harman has been and will continue to be one of the most important contributors to internal growth. In the parent company there are some 75 people involved in the total technical effort. These people provide assistance to manufacturing and sales, as well as the research and development activity relating to the company's precious metal business. They also provide services to the subsidiary companies, each of which maintains its own technical staff according to the needs of its particular business. Total technical expenditures throughout the parent company and its subsidiaries amounted to well over $1,000,000 in 1969.

What is the outlook for silver?

In recent years the silver market has been dominated by speculative activity generated by uncertainties both with respect to the

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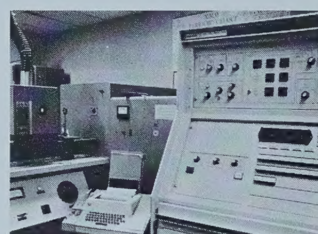

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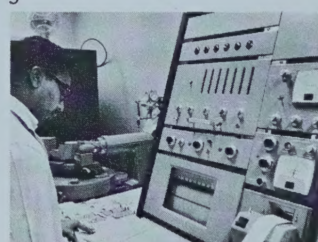

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Maintaining quality standards:

1. Chemical assay
2. Destruction test of cable assembly
3. and 4. Sophisticated spectrograph equipment

1816

1813

United States Government's silver policies and world foreign currency developments. On the first point the government will have completed its sales program within the next several months and presumably will then no longer be a factor. On the second point, however, the market will probably continue for some time to be influenced by recurring international monetary crises.

Since government silver will soon run out, the question arises as to where silver will come from to replace it in the market. There are substantial stocks of silver in the hands of investors and speculators throughout world centers, including very importantly the old United States silver coins. For the next several years these stocks will be a source of silver to the market and will have a restraining influence on future price increases. Nevertheless, silver is statistically in a strong position, and over the long run higher price levels are expected. It must be emphasized, however, that there will not be a shortage of silver for industrial users nor is it believed that prices will go so high as to be damaging to the silver using industry.

The company's Annual Review of the Silver Market, which has been published since 1916, was issued in early February. This Review covers in detail developments in the silver market during 1969 and analyzes significant factors affecting future price trends.

What is the company's dividend policy?

Handy & Harman has earned a profit in every year of its long history, and it has an unbroken dividend record. For the past few years dividends have been averaging around 30% to 40% of earnings. The present 18¢ quarterly dividend became effective with the third quarter of 1969, up from the previous 15¢ rate. This was the second 20% increase in less than two years. Future dividend rates will continue to be influenced by earnings growth and the need for reinvestment of funds in the business.

Innovative production techniques through continuous updating of equipment.

New electrolytic refining complex at Attleboro, Mass., nears scheduled completion.




Aerial view of Greenback Industries plant and its subsidiary, Cranberry Magnetite mine.
See note below.

A purchase contract, subject to a favorable tax ruling was signed on January 29, 1970.

Handy & Harman and Subsidiaries

Consolidated Balance Sheet

Assets

	December 31, 1969	December 31, 1968
Current assets:		
Cash	$ 5,276,267	$ 7,009,090
Notes and accounts receivable (less allowance for doubtful: 1969, $192,940; 1968, $231,714)	22,730,643	26,845,549
Inventories—at cost (Note 2)	40,892,886	39,389,082
Prepaid expenses and deposits	1,188,029	1,339,754
Deferred tax benefit (Note 3)	1,168,500	
Total current assets	71,256,325	74,583,475
Investments in and advances to 50%-owned companies—at cost (Note 4)	854,294	516,582
Property, plant, and equipment—at cost (Note 5)	27,674,907	25,698,352
Less accumulated depreciation and amortization (Note 5)	10,258,767	10,696,774
	17,416,140	15,001,578
Deferred charges	294,218	271,100
Other assets	194,009	246,601
	$90,014,986	$90,619,336

Liabilities and Shareholders' Equity

	December 31, 1969	December 31, 1968
Current liabilities:		
Notes payable	$40,900,000	$42,570,102
Current maturities of long-term debt (Note 6)	163,212	197,006
Accounts payable	4,163,338	5,495,156
Accrued liabilities:		
Payrolls, smelter charges, and other expense	1,131,543	1,263,034
United States and Canadian taxes on income	2,606,109	2,044,850
Other taxes	845,542	766,011
Total current liabilities	49,809,744	52,336,159
Long-term debt, less instalments due within one year (Note 6)	10,963,704	11,194,377
Commitments and contingent liabilities (Note 7)		
Shareholders' equity:		
Common stock—3,000,000 shares of par value $1 authorized; issued: 1969, 2,162,729 shares; 1968, 2,116,029 shares (Note 8)	2,162,729	2,116,029
Capital surplus	4,621,651	3,979,816
Retained earnings (Note 6)	23,006,606	21,144,477
	29,790,986	27,240,322
Deduct treasury stock: 1969, 21,908 shares; 1968, 8,757 shares—at cost	549,448	151,522
Total shareholders' equity	29,241,538	27,088,800
	$90,014,986	$90,619,336

The accompanying notes are an integral part of the financial statements.

Handy & Harman and Subsidiaries

Consolidated Statement of Income

	Year Ended December 31, 1969	1968
Sales of products and service revenues	$206,364,181	$199,336,922
Cost of products and services	182,613,449	178,273,039
Gross profit	23,750,732	21,063,883
Selling, general, and administrative expense	8,915,392	8,047,359
	14,835,340	13,016,524
Other deductions (income):		
Interest on loans	3,732,303	3,082,665
Other (net)	(101,370)	(212,662)
	3,630,933	2,870,003
	11,204,407	10,146,521
Provision for taxes on income:		
United States and Canadian	5,716,000	4,997,000
State	828,000	618,000
	6,544,000	5,615,000
Income from continuing operations	4,660,407	4,531,521
Loss from discontinued operations, less related Federal income tax effect (Note 9)	63,895	441,276
Income before extraordinary items	4,596,512	4,090,245
Extraordinary items—loss on sale of certain assets relating to discontinued operations, net of tax (Note 10)	828,438	
Net income	$ 3,768,074	$ 4,090,245
Per share of common stock (Note 12):		
Income from continuing operations	$2.20	$2.12
Loss from discontinued operations	(.03)	(.20)
Extraordinary charge, net of tax	(.39)	—
Net income	$1.78	$1.92

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Shareholders' Equity

Year Ended December 31,1969

	$1 Par Value Common Stock	Capital Surplus	Retained Earnings	Treasury Stock Shares	Treasury Stock Cost	Total Shareholders' Equity
Balance, January 1, 1969:						
As previously reported	$2,085,029	$3,989,660	$21,580,498	23,601	($617,231)	$27,037,956
Add amounts applicable to companies acquired in poolings of interests	31,000	(3,441)	(436,021)	(14,844)	465,709	57,247
	2,116,029	3,986,219	21,144,477	8,757	(151,522)	27,095,203
Net income			3,768,074			3,768,074
Cash dividends on common stock —$.66 per share			(1,382,860)			(1,382,860)
Cash dividend paid by pooled company prior to pooling			(13,980)			(13,980)
Stock options exercised	46,700	650,881				697,581
Additional contingent shares of common stock issued in connection with 1968 pooling of interest transaction		(15,449)	(509,105)	(15,449)	524,554	—
Common stock purchased for treasury				28,600	(922,480)	(922,480)
Balance, December 31, 1969	$2,162,729	$4,621,651	$23,006,606	21,908	($549,448)	$29,241,538

Changes in shareholders' equity during 1968 were principally amounts applicable to pooling of interest transactions in that year (an increase of $1,234,363) and net income of $4,128,125, less cash dividends paid and cost of common stock acquired for treasury in the amounts of $1,196,033 and $960,138, respectively, and miscellaneous credits totaling $38,250. The foregoing resulted in increases in common stock, $87,329; capital surplus, $360,706; retained earnings, $2,886,510; and treasury stock, $89,978.

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Source and Use of Working Capital

	Year Ended December 31, 1969	1968
Working capital, January 1	$22,247,316	$11,539,409
Source:		
Net income	3,768,074	4,090,245
Depreciation and amortization	1,470,588	1,380,404
	5,238,662	5,470,649
Long-term borrowings		10,430,684
Working capital of pooled companies at date of acquisition		909,168
Sale of common stock	697,581	38,250
Other	74,765	73,704
	6,011,008	16,922,455
Use:		
Fixed assets acquired (net)	3,846,607	2,970,477
Repayments on long-term debt	230,713	462,288
Cash dividends paid	1,396,840	1,205,353
Purchase of treasury stock	922,480	960,138
Investments	342,712	284,000
Additions to deferred charges	71,589	121,049
Other	802	211,243
	6,811,743	6,214,548
Net increase (decrease)	(800,735)	10,707,907
Working capital, December 31	$21,446,581	$22,247,316

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements–1969

1—Principles of consolidation

The consolidated financial statements include the accounts of subsidiaries, all of which are wholly owned. The accounts of the Canadian subsidiaries were translated at appropriate rates of exchange. All significant intercompany items have been eliminated.

During 1969 all the issued and outstanding shares of American Clad Metals, Inc. and of Bigelow Components Corporation were acquired in exchange for 45,844 shares of the Company's common stock, including 14,844 treasury shares. These transactions have been accounted for as poolings of interests and, accordingly, the financial statements for 1968 have been restated retroactively.

Former shareholders of companies acquired in poolings of interests transactions have warranted and represented that they will reimburse the Company for any undisclosed liabilities. At December 31, 1969, 38,000 shares of the Company's common stock were held in escrow to secure such warranties and representations.

For comparative purposes, certain state taxes for the year 1968 have been reclassified from selling, general, and administrative expense to income tax expense.

2—Inventories

	December 31, 1969	December 31, 1968
Precious metals and precious metal content of alloys and of products in various stages of manufacture	$32,451,125	$30,233,948
Base metals, factory supplies, and raw material	4,678,561	3,975,292
Domestic subsidiaries:		
Finished goods	1,335,066	2,476,685
Work in process	1,297,498	1,572,999
Preforms	1,130,636	1,130,158
	$40,892,886	$39,389,082

Precious metal inventories in the amount of $31,117,261 at December 31, 1969 and $26,763,011 at December 31, 1968 are stated at cost as determined under the last-in, first-out method. The value of such inventories, principally silver, based on market quotations at these dates ($1.80 per ounce in 1969 and $1.90 per ounce in 1968) was $15,690,284 and $24,523,831, respectively, in excess of stated value. Other inventories are stated at cost or market, whichever is lower. Effective January 1, 1969, the method used to determine the cost of certain classes of precious metal inventory has been changed from first-in, first-out to last-in, first-out. This change did not have a material effect on 1969 net income. It is not practicable to classify inventories of precious metals or preforms as to stage of completion.

Consumption of LIFO inventories in excess of purchases during 1969 and 1968 resulted in net gains after taxes on income of approximately $1,097,000 and $406,000, respectively, equal to $.52 and $.19 per share of common stock.

In addition to recorded inventories, the Company regularly has in its possession precious metals held for the account of customers. The value of such precious metals held at December 31, 1969 was approximately $10,260,000, based on market prices at that date.

3—Deferred Federal income tax benefit

The deferred tax benefit, which will be realized in 1970, relates to the loss on discontinued operations (see Note 9) and to the loss on sale of assets of the discontinued division (see Note 10) in the amounts of $71,500 and $1,040,800, respectively, and to the anticipated reduction, $190,200, of Federal income taxes resulting from a loss carryforward of a subsidiary, less the amount allocated to continuing operations of this subsidiary.

4—50%-owned companies

Investments in and advances to 50%-owned companies exceeded the Company's equity therein by approximately $460,000 at December 31, 1969.

5—Property, plant, and equipment

Property, plant, and equipment comprised the following:

	December 31, 1969	December 31, 1968
Land	$ 780,958	$ 849,544
Buildings	7,956,431	7,952,807
Machinery and equipment	14,443,234	14,967,046
Furniture and fixtures	859,901	882,444
Automobiles	263,176	255,271
Improvements to leased property	290,178	284,436
Construction in progress	3,081,029	506,804
	$27,674,907	$25,698,352

Depreciation for 1969 and 1968 was $1,431,896 and $1,356,960, respectively, and was computed principally on the straight-line method. Certain of the Company's subsidiaries compute depreciation under accelerated methods.

6—Long-term debt

	December 31, 1969	December 31, 1968
5½%–6½% mortgages and chattel mortgages, payable by subsidiaries at various maturity dates to 1981	$ 607,516	$ 780,633
Other 5% notes, payable by subsidiaries to 1973	119,400	170,750
5⅝% note, payable by a subsidiary in annual instalments of $40,000 to 1979	400,000	440,000
7⅜% note, payable in annual instalments of $667,000 from 1974 to 1988	10,000,000	10,000,000
	11,126,916	11,391,383
Less instalments due within one year	163,212	197,006
	$10,963,704	$11,194,377

The agreement relating to the 7⅜% note contains certain restrictions on the payment of cash dividends and the acquisition of capital stock of the Company.The amount of consolidated retained earnings available for such purposes at December 31, 1969 was $5,670,519. The agreement further provides, among other things, for the maintenance of minimum working capital of $12,000,000. Working capital at December 31, 1969 was $21,446,581.

7—Commitments and contingent liabilities

The Company is lessee under one lease expiring in 1981 with an annual rental of $33,000 and under another expiring in 1982 with a current annual rental of $203,000 ($34,000 annual rents recoverable under a sublease expiring in 1971). In addition, two subsidiaries are obligated under leases expiring in 1977 and 1980 requiring aggregate annual payments of $34,000.

Commitments at December 31, 1969 for additional plant and equipment were approximately $2,196,000.

On examination of the Company's Federal income tax return for 1966, the Internal Revenue Service proposed tax deficiencies totaling approximately $193,000 relating to the valuation of precious metal inventories. Management believes that the method of valuation used is correct and is in accordance with accepted accounting practice in the industry, and has filed a protest against assertion of the tax deficiency. In the event that the IRS position is upheld, the effect on income for years subsequent to 1966 would not be material.

8—Stock options

At December 31, 1969, 48,500 shares of common stock were reserved for issuance under the Company's 1965 Stock Option Plan. Transactions under the plan during 1969 are summarized below:

	Shares Available for Option	Shares Under Option: Shares	Shares Under Option: Range of Prices
January 1, 1969	45,000	50,200	$14.94—$25.50
Options granted	(7,000)	7,000	$31.63
Options exercised		(46,700)	$14.94
December 31, 1969	38,000	10,500	$25.50—$31.63

Of the shares under option, 1,500 are currently exercisable, and the balance will become exercisable during the years 1970 to 1973. The excess of proceeds over the par value of shares issued on exercise was credited to capital surplus.

9—Loss from discontinued operations

The operations of the Bearing Division of the Company's wholly owned subsidiary, Orange Roller Bearing Co., Inc., were discontinued on September 1, 1969. The results of discontinued operations are summarized as follows:

	1969	1968
Net sales	$1,981,846	$2,410,054
Costs and expenses	2,117,241	3,018,330
	(135,395)	(608,276)
Tax effect:		
Loss carryback		167,000
Loss carryforward	71,500	
Loss	$ 63,895	$ 441,276

10—Extraordinary items

The extraordinary items consist of the following:

Loss on sale of assets of discontinued Bearing Division	$2,059,438
Less anticipated income tax benefit	1,040,800
	1,018,638
Anticipated reduction of Federal income tax resulting from loss carryforward of subsidiary	190,200
	$ 828,438

See Note 3 with respect to the deferred tax benefit.

11—Retirement plans

The Company and certain of its subsidiaries have noncontributory retirement plans for the benefit of their employees. Charges to operations for the years 1969 and 1968 were $865,708 and $863,867, respectively, which amounts include amortization of past service cost over a period of approximately 30 years from the inception of the respective plans.The Company's policy is to fund pension costs accrued. At December 31, 1969, the assets of the respective funds exceeded the present value of vested benefits at that date.

12—Earnings per share of common stock

Per share amounts are based on the average number of shares outstanding during each year adjusted retroactively to include shares issued in connection with poolings of interests transactions described in Note 1. Potential dilution of earnings per share of common stock, assuming exercise of all outstanding stock options, is not material.

13—Significant event subsequent to December 31, 1969

On January 29, 1970 the Company entered into an agreement to acquire the business and assets of Greenback Industries, Inc., in exchange for 100,000 shares of Handy & Harman common stock. This transaction will be completed upon receipt of a favorable ruling from the Internal Revenue Service stating that it will constitute a taxfree reorganization under the Code.

Financial statements of Greenback as of September 30, 1969, the end of its most recent fiscal year, reflected total assets of $3,103,450 and shareholders' equity in the amount of $1,245,824. Sales and net income for the year then ended were $4,622,828 and $198,622, respectively.

Opinion of Independent Accountants

HURDMAN AND CRANSTOUN,
PENNEY & CO.
Certified Public Accountants

140 Broadway
New York, N.Y. 10005

To Directors and Shareholders of Handy & Harman

We have examined the consolidated balance sheet of Handy & Harman and its subsidiaries as of December 31, 1969, the related consolidated statements of income and of shareholders' equity, and the consolidated statement of source and use of working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements identified above present fairly the financial position of Handy & Harman and its subsidiaries consolidated at December 31, 1969, the results of their consolidated operations, and the changes in shareholders' equity and in working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hurdman and Cranstoun, Penney & Co

Certified Public Accountants

February 14, 1970

Directors and Officers

Board of Directors

THEODORE W. ATKINSON

HOWARD W. BOYNTON*

PHILIP L. CARRET*

LEONARD C. CREWE, JR.

CORTLANDT W. HANDY*

WILLIAM H. NEWMAN

PAUL L. PEYTON

M. WILBUR TOWNSEND*

JUDSON C. TRAVIS*

FRANCIS H. WEMPLE

EZRA K.ZILKHA

Officers

M.WILBUR TOWNSEND
Chairman of the Board
and President

THEODORE W. ATKINSON
Vice President—Production

FRANCIS H. WEMPLE
Vice President
and Treasurer

GEORGE J. PEER
Vice President—Marketing

CHARLES D. COXE
Vice President—Research
and Development

LEIF C. KRONEN
Secretary and Counsel

G. NORMAN HORNER
Controller

General Counsel

BREED, ABBOTT AND MORGAN

Auditors

HURDMAN AND CRANSTOUN,
PENNEY & CO.

Transfer Agent

MORGAN GUARANTY TRUST
COMPANY OF N.Y.

Registrar

THE CHASE MANHATTAN
BANK (N.A.)

Stock Listing

NEW YORK STOCK EXCHANGE

*Member of Executive Committee

Offices, Plants & Subsidiaries

HANDY & HARMAN
Executive and General Offices
850 Third Avenue
New York, N.Y. 10022

Plants

Fairfield, Conn.
Mt. Vernon, N.Y.
El Monte (Los Angeles), Calif.
Attleboro Refining Division, Attleboro, Mass.

Service Branches & Sales Offices

Attleboro, Mass.
Cleveland, Ohio
Dallas, Texas
Elk Grove Village (Chicago), Ill.
El Monte (Los Angeles), Calif.
New York, N.Y.
Southfield (Detroit), Mich.

Subsidiaries of Handy & Harman

American Clad Metals, Inc., Pawtucket, R.I.
Bigelow Components Corp., Newark, N. J.
Consolidated Tube Fabricating Corp., Waterbury, Conn.
Electric Thermometers, Inc., Norwalk, Conn.
(Owned jointly with Degussa, West Germany)
Handy & Harman Metalsmiths, Inc., Orange, N. J.
Handy & Harman Tube Co., Norristown, Pa.
Hi-Alloys, Inc., Cockeysville, Md.
Ladek Metal Products, Inc., Oak Creek, Wisc.
Lucas-Milhaupt, Inc., Cudahy, Wisc.
Maryland Specialty Wire, Inc., Cockeysville, Md.
Pennsylvania Wire Rope Corp., Williamsport, Pa.

In Canada

Handy & Harman of Canada, Ltd.,
Toronto, Ont., Montreal, Que.
Ipsenlab of Canada, Ltd., Toronto, Ont.

In England

Rigby-Maryland (Stainless) Ltd.,
Heckmondwike, Yorkshire
(Owned jointly with John Rigby & Sons, Ltd.)

A purchase contract, subject to a favorable tax ruling was signed on January 29, 1970 for

Greenback Industries, Inc.
Greenback, Tenn.

Cranberry Magnetite Corp.
Cranberry, N.C.

Products & Services

Products

Easy-Flo, Sil-Fos, and other silver brazing alloys, in all forms
High temperature brazing alloys
Aluminum brazing alloy
Handy Fluxes for silver brazing
Fine silver and fine gold
Sterling silver
Karat golds and gold solders
Precious and non-precious clad metals
Gold and silver anodes
Silver powders, flakes and oxide
Silver contact alloys and sintered products
Non-ferrous powders
High purity powders
Dental golds and powders
Preforms, rings, stampings of ferrous and non-ferrous metals
Small diameter, precision drawn stainless steel, carbon steel and nickel alloy tubing
Formed tubing parts
Miniature components of ferrous and non-ferrous metals for electronic and electrical industries
Specialized stainless steel products
Steel tool and drill bits
Stainless steel, steel, copper-coated wire drawn to fine gauges
Wire rope and cable, automotive brake assemblies
Platinum thermocouple wire and platinum resistance thermometer sensors

Services

Refining service for all forms of waste materials and scrap parts containing precious metals
Heat treating of ferrous and non-ferrous metals

Handy & Harman

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